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Gross Margin, Expense and Earnings as % of Sales

	1982/83	1983/84	% Change
No. of Firms	28	30	
Gross Margin	28.28	28.31	+10.70
Leased Dept. Income	0.40	0.49	+22.50
Gross Income	28.67	28.80	+ 0.45
Total Expense	24.74	23.72	– 4.10
Net Operating Profit	3.93	5.08	+29.30
Other Income	0.690	0.54	–21.70
Earnings Before Taxes	2.94	4.34	+47.60
Federal/State Income Taxes	1.23	2.09	+69.90
Net Earnings After Tax	1.71	2.27	+32.70

Source: NMRI

Acquisition Wave Engulfs Chains; Some Public Firms Go Private

By ARTHUR MARKOWITZ

A wave of acquisitions and/or moves to take publicly held companies private has hit the retail industry.

Three companies have already been taken over and the possible acquisition and taking private of four others is the subject of recent 13D filings with the Securities and Exchange Commission. In addition, a deal involving a fifth retailer may be revived.

The reasons differ—and sometimes overlap—for the various deals and proposed takeovers, but any one of five factors seems to be the key:

• The founding family or major shareholders want to obtain cash for their stock as the initial step in diversifying their investments. This was behind Cole National, parent of Child World, going private, and Robert E. Strawbridge III currently looking to sell his interest in Strawbridge & Clothier, parent of Philadelphia-based Clover.

• The nonretailing assets of a company have great or greater potential than the firm's basic merchandising operation. This is behind New York real estate developer Sol Goldman's pending interest in J. W. Mays and was a factor in the discontinued talks between Alexander's and an informal alliance composed of the Bass family interests and real estate developer Interstate Properties. A few years ago, Interstate turned discounter Two Guys into a realty operation.

The Bass family/Interstate Properties group is still interested in arranging some deal with Alexander's and at presstime increased its total holdings in the retailer to 35.6% from 27.8%, by buying 400,000 shares for $9.4 million from members of the Farkas family, founders of Alexander's.

• Easing out dissident stockholders. Diversified Pay 'n Save, parent of Bi-Mart and

(Continued on page 28)

Discounter Net Tops In Last Fiscal Year

NEW YORK — Discounters cut operating expenses and rode the crest of a wave of reduced inflation and increased consumer spending to hit record levels of aftertax earnings last fiscal year.

These findings were highlighted in the National Mass Retailing Institute's (NMRI) annual study, "Operating Results of Self-Service Discount Department Stores, 1983-84."

The study, conducted by Cornell University for the NMRI, was based on responses to an association questionnaire from 30 chains with aggregate sales of $17 billion from 2,892 stores.

Average aftertax earnings rose from 1.71% of sales in 1982-83 to 2.25% of sales in 1983-84. This was the highest average return on sales in the 17 years Cornell has been conducting the

(Continued on page 29)

Strong Holiday Biz Expected, However

Chain Yule Inventories Slightly High

Nationwide DSN Report

Discounters entered this Christmas period with seasonal inventories slightly over desired levels—the result of a post-election economic lull and warm fall weather that so far has caused soft winter apparel sales.

Although discounters polled by *DSN* generally expect Christmas sales to match or exceed last year's near record pace, they said it won't prevent them from adjusting chainwide order levels for an anticipated soft first quarter of 1985.

Meantime, they're banking on two extra sales days between Thanksgiving and Christmas to help accelerate store volume, particularly in toys, consumer electronics and sporting goods.

The classifications expected to drive those sales, however, may be changing.

At Gemco, for instance, vp and gmm-hard lines Maynard Jenkins anticipated a resurgence in preschool, models and rideon toys to augment the current popularity of Cabbage Patch, Gobots, Masters of the Universe and Trivial Pursuit.

Videocassette decks in the $300-$400 range, blank tapes and cabinets are expected to

(Continued on page 29)

IN BRIEF

• **COOK UNITED, IN A KEY MOVE TO RAISE FUNDS FOR** its Chapter 11 reorganization, next month will auction off 28 closed stores and, in a separate move, plans to sell four shut warehouses. The 53-unit discounter owns three of the stores and leases the other 25.

• **BEST PRODUCTS HAS FILLED ITS VACANT TOP FINAN**cial position by naming Robert M. Quinn senior vice president and chief financial officer. Previously vp-financial planning and control at the A&P supermarket chain, Quinn succeeds Joel Koblentz, who left Best in mid-May.

New Best's Walls Reveal the Inside Story

MILWAUKEE — Best Products has opened its latest architectural showroom project, the Inside/Outside Building.

The store is the chain's eighth to be built around a theme, and the seventh developed by SITE, an architecture firm.

The exterior walls have portions constructed of glass. Merchandise displays have been "ghosted" within the glass walls, so that the inside of the store seems to have been extended to the outside.

The displays, including the sample merchandise, within the exterior glass walls are painted a monochrome gray, but the continuation of these fixtures, and the samples, within the showroom proper, can actually be shopped by customers.

The building is one of two Bests opened earlier this month in Milwaukee.

Best Products' unique showroom on West Brown Bear Road, Milwaukee, has portions of the exterior wall built of clear glass, rather than brick, so shoppers can see the store's interior from the outside.

Digest
Nov. 26, 1984

CE

• **Circuit City is negotiating** to buy the leaseholds of at least 10 The Akron stores in the Los Angeles area. (p. 12)

H&BA

• **Chains are using various** display techniques to increase sales of men's fragrances. (p. 19)

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Discounters' Aftertax Net in Last Fiscal Year Is Tops

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study.

Average net operating profit rose to 5.08% of sales in 1983-84 from 3.93% in 1982-83.

The highest average net operating profit was reported by chains with volume over $750 million, totaling 6.55% of sales. Chains with sales between $250 million and $750 million had the lowest net operating profit, 1.98% of sales. Chains with sales below $250 million reported an average operating profit of 4.26%.

Upswing Noted

These gains made a noticeable change on chain balance sheets. Aftertax earnings rose to 17.24% of net worth in the 1983-84 period, up from 13.65% a year earlier. Aftertax earnings as a share of total assets rose from 5.18% in 1982-83 to 7.38% in 1983-84.

In addition, stock shortages in 1983-84 dropped 33% to 1.16% of sales; stock turns, in owned departments, edged up 3% to 3.49% of sales, and cumulative markup improved by 0.67 percentage points to 36.48% of original retails.

Gross margins for the period, for all respondents, were fairly close to the levels reported a year earlier: 28.31% in 1983-84 compared to 28.28% in 1982-83.

At large chains (those with volume in excess of $750 million) gross margins averaged 28.48% of sales in 1983-84; at midsized chains (volume between $250 million and $750 million) margins averaged 27.97%, and for small chains ($250 million or less) margins averaged 28.18%.

Further Consideration

Total expenses for all firms participating in the study totaled 23.72% of sales, compared with 24.74% a year earlier. It was the lowest expense ratio since 1978-79.

Expenses hit their highest point in the six-year period detailed in the study in 1980-81 when they rose to 26.03%.

Expenses dropped in the following areas: transportation costs, down 36.7% compared to the year-earlier period; field supervision, down 33.3%; store operating expense, down 9.6%; advertising/promotion, down 8.2%; buying/merchandising, down 3.4%, and warehousing, down 4.5%.

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Per Cent of Total Sales

All Firms (30)	1982/83	1983/84	% Change
Average Sales Per Store (Millions)	$ 4.528	$ 6.044	+33.5
Average Sales/Sq. Ft. Selling Area	113.200	138.750	+22.6
Occupancy Costs/Sq. Ft. Selling Area	5.770	7.130	+23.6
Store Operating Expense	11.280	10.200	− 9.6
Leased Sales	2.640	2.910	+10.2
Occupancy Expense	5.470	5.530	+ 1.1
Field Supervision Expense	0.420	0.280	−33.3
Warehouse Expense	0.890	0.850	− 4.5
Transportation Expense	0.490	0.310	−36.7
Advertising/Promotion Expense	2.430	2.230	− 8.2
Accounting Expense	0.290	0.300	+ 3.3
Data Processing Expense	0.400	0.400	—
Employee Benefit Expense	1.960	2.320	+18.4
Buying/Merchandising Expense	0.580	0.560	− 3.4
Administrative/General Expense	0.980	1.020	+ 4.1
Cumulative Markup (Owned Depts.)[a]	35.810	36.480	+ 1.9
Stock Turns (Owned Depts.)[b]	3.380	3.490	+ 3.3
Stock Shortages (% of retail value)	1.730	1.160	−32.9
Total Sales/Total Assets	3.200	3.260	+ 1.9
Total Sales/Net Worth	8.430	7.610	− 9.7
Net Worth (% of Total Assets)	37.940	42.820	+12.9
Current Assets/Current Liabilities	2.180	1.930	−11.5
Net Earnings/% of Net Worth	13.650	17.240	+26.3
Net Earnings/% Total Assets	5.180	7.380	+42.5

[a]% of original retail. [b]Based on monthly inventories. *Source: NMRI*

Expense Analysis

Expense	1982/83	1983/84
Payroll	12.06	11.41
Supplies	0.74	0.76
Communications	0.24	0.27
Travel	0.24	0.21
Services Purchased	0.58	0.60
Advertising	2.54	2.55
Taxes & Licenses	1.33	1.51
Utilities	1.26	1.17
Insurance	0.64	0.67
Property Rentals	1.82	1.92
Equipment Rentals	0.45	0.38
Depreciation & Amortization	0.94	1.01
Repair & Maintenance	0.65	0.65
Donations	0.02	0.02
Professional Services	0.12	0.10
Unclassified	1.54	1.18
Credits & Allowances	0.39	0.70
Total	24.78	23.70

Source: NMRI

Highlights of Expenses of Key Responsibility Centers

Responsibility Center	% of Sales* 1982/83	1983/84
STORE OPERATIONS		
Total Expense:	11.28	10.20
Payroll	9.25	8.69
Supplies	0.59	0.58
Services Purchased	0.30	0.34
Travel	0.04	0.04
FIELD SUPERVISION		
Total Expense:	0.42	0.28
Payroll	0.29	0.23
Travel	0.50	0.04
Services Purchased	0.01	0.00
Unclassified	0.07	0.01
OCCUPANCY/STORES		
Total Expense:	5.10	5.14
Taxes & Licenses	0.42	0.48
Utilities	1.20	1.12
Depreciation/Amortization	0.82	0.83
Property Rentals	1.74	1.85
BUYING/MERCHANDISING		
Total Expense:	0.58	0.56
Payroll	0.48	0.46
Supplies	0.01	0.01
Communications	0.02	0.01
Travel	0.04	0.04
ADVERTISING/PROMOTION		
Total Expense:	2.43	2.23
Payroll	0.07	0.08
Supplies	0.01	0.01
Communications	0.02	0.01
Advertising	2.54	2.55
ACCOUNTING		
Total Expense:	0.29	0.30
Payroll	0.22	0.23
Supplies	0.01	0.01
Services Purchased	0.03	0.02
Communications	0.01	0.01
DATA PROCESSING		
Total Expense:	0.40	0.40
Payroll	0.17	0.19
Supplies	0.02	0.03
Equipment Rentals	0.11	0.13
Services Purchased	0.05	0.02
EMPLOYEE BENEFITS		
Total Expense:	1.96	2.32
Payroll	0.41	0.45
Taxes/Licenses	0.83	0.95
Insurance	0.45	0.53
Unclassified	0.26	0.39
WAREHOUSING		
Total Expense:	0.89	0.85
Payroll	0.78	0.68
Supplies	0.08	0.08
Services Purchased	0.03	0.05
Unclassified	0.05	0.06
TRANSPORTATION		
Total Expense:	0.49	0.34
Payroll	0.18	0.10
Equipment Rentals	0.21	0.11
Services Purchased	0.08	0.09
Travel	0.06	0.00
ADMINISTRATION/GENERAL		
Total Expense:	0.98	1.02
Payroll	0.42	0.48
Services Purchased	0.07	0.07
Taxes/Licenses	0.07	0.06
Professional Services	0.10	0.07

** Highlights of NMRI study of expenses for selected responsibility centers; number of firms answering each question varied by question and by year.* *Source: NMRI*

Chain Inventories Slightly High For Christmas

(Continued from page 1)

share the electronics spotlight with home computers and microwave ovens.

In sporting goods, all sorts of exercise equipment from $6 jump ropes to $300 weight pulley sets are expected to continue to lead the category through Christmas, they added.

Discounters' same-store sales gains throughout 1984 didn't reflect real gains in unit movement, because lower inflation and wholesale costs contributed to lower average retails in some departments. For example, Service Merchandise reported third-quarter same-store sales gains of 2.6%, but its real unit increases probably exceeded 4%, according to one stock analyst.

Thus, some chains moderated their inventory investments for this Christmas rather than target for a fixed percentage gain.

ALCO found itself overstocked entering the summer because acquired Magic Mart stores, which are currently generating 70% of expected volumes, were underperforming, said vp-hard lines Dale Morris. The slight stock swell was reduced over the fall months, with no special actions, he explained.

Morris added ALCO inventories are on target now for anticipated 8%-10% same-store sales gains in the Christmas period, and a 12% pickup chainwide.

Ames, running at the rate of 9% same-store sales gains in the third quarter, expected to top that pace in the final fiscal period, largely on the strength of toy and CE volume, said president Gerald Kanter. Yet, Ames slowed "apparel and domestics buying plans, since August, to relieve the impact of continued hot weather," he added. "We're now a little longer in seasonal inventory than we'd like, but very close to overall plan."

Ames this summer eliminated its ROP and direct mail "action ads" for limited groups of stores, and placed all units solely on the chainwide circular program, Kanter said. "There's nothing in our company performance now to make us more promotional through year's end," he added.

K mart, which came off 12.4% same-store sales gain in the third quarter, projected a 10%-plus sales gain in the Christmas season, reported chairman Bernard M. Fauber.

He said that higher inventories of K mart's broadened and higher-priced merchandise contributed to a near tripling of borrowing costs last quarter.

Gemco also reworked some of its buying plans for Christmas and delayed orders of private label televisions and canceled orders of private label bicycles in the face of a sales slowdown.

Varied Display Strategies Are Used For Men's Fragrances

(Continued from page 19)

es—Edison Jewelers & Distributors—may double its men's toiletries section to about 8 ft. early in 1985 to add men's better fragrances for the first time, said buyer Bill Singleton.

Although discounters are experimenting more with men's fragrances, similar forays are not being made in the men's skin care category. Caldor's Hoffman said multistep treatments like those in department stores are too sophisticated.

Instead, chains are offering limited sku's in commodity-priced soothing aftershaves. Caldor is carrying Saxon's aftershave lotion and conditioner, although Hoffman said a lot of men view the moisturizing product as nonmasculine. The chain sells the product, available in regular or new Golden Musk, for $1.99 for a 4-oz. size.

Murphy's Mart also carries the regular Saxon scent, as well as a moisturizer from Afta and Old Spice, but the chain's H&BA buyer also believes it will take a lot of time before the category develops.

INDUSTRY INNOVATORS

10 Discounting Influentials: Pp. 15-56

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In its Hagerstown, Md., prototype, S. E. Nichols expects to raise housewares sales per square foot at least 20% in 1985 by stressing its fashion mix, brand names and clearer classifications.

Markdowns Increase as Chains Keep Up Strong Promo Stance

NEW YORK — While the economy has improved in the last 18 months, discounters and department stores didn't abandon the promotional positions they assumed to build sales in the recessionary 1980's.

This strong promotional stance resulted in higher markdowns along with higher turns last year in most merchandise categories, on both the soft and hard lines sides of the stores.

An analysis of 17 key merchandise categories revealed that discounters had higher markdowns in every single department, compared to markdowns incurred in the previous year.

Department stores fared only slightly better, taking higher markdowns in 12 of categories highlighted here. Women's dresses, intimate apparel, sleepwear and robes and toys suffered fewer markdowns than they did in 1982.

Stock turns for discounters were up in 12 of 17 categories; nine of 15 department store areas enjoyed improved turnover rates, compared to the year-earlier period.

These analyses were based on two recent trade association reports: The National Mass Retailing Institute's (NMRI) 1983-84 study of Operating Results of Self-Service Discount Department Stores, and the National Retail Merchants Association's (NRMA) Merchandising and Operating Results of 1983 study.

For discounters and department stores alike, consumer electronics suffered some of the greatest markdown increases during the period.

For discounters, markdowns on sight and sound and records and tapes, which totaled 8.48% and 3.09% of department sales, respectively, in the 1982-83 period, jumped to 11.89% and 7.68%, respectively, in 1983-84.

For department stores, consumer electronics markdowns went from 3.4% of department sales to 7.8% during 1983.

Stock turns for discounters were up in 12 of 17 categories.

On the soft lines side of the store for discounters, there was unilateral price erosion.

All men's, women's and children's wear categories, suffered higher markdowns last year. Only in handbags and women's accessories did discounters stem the markdowns in an apparel-related area; markdowns in this department totaled 12.75% of sales in 1983-84, compared to 13.03% a year earlier.

In shoes (not shown on the chart), markdowns for discounters were 60% higher in 1983-84, totaling 15.8% of department volume, vs. 9.7% in 1982-83.

In addition to consumer electronics, department stores took a more promotional position in sporting goods, losing an additional two percentage points of department sales, 19.5%, in 1983 as in 1982. This resulted in an eight-percentage-point drop in departmental gross margins, to 26.7% for the year, vs. 34.8% in the earlier 12-month period.

Toys, on the other hand, suffered less price-cutting, and picked up an additional 1.3 gross margin percentage points. Markdowns in this department ran to 12% of sales in 1983 compared to 13.5% a year earlier; gross margins totaled 36.9% compared to 35.6%.

The bottom line in both cases was more aggressive pricing and almost no change in the gross margin picture.

Discounters' overall gross margins rose only slightly, from 28.28% of sales in 1982-83 to 28.31% in 1983-84.

Gross margins as a percent of

(Continued on page 69)

Nichols to Spend $30M To Roll Out Prototype

HAGERSTOWN, Md. — S. E. Nichols will spend $30 million over the next three years to roll out chainwide its new prototype unveiled here last month, in an effort to strengthen soft lines sales, raise sales per square foot by nearly 40% and attract more young, affluent customers.

The 90,000-sq.-ft. store, opened Nov. 20 in a former Two Guys site, employs a startling new red-white-black-gray color scheme that will be Nichols' look into the 90's.

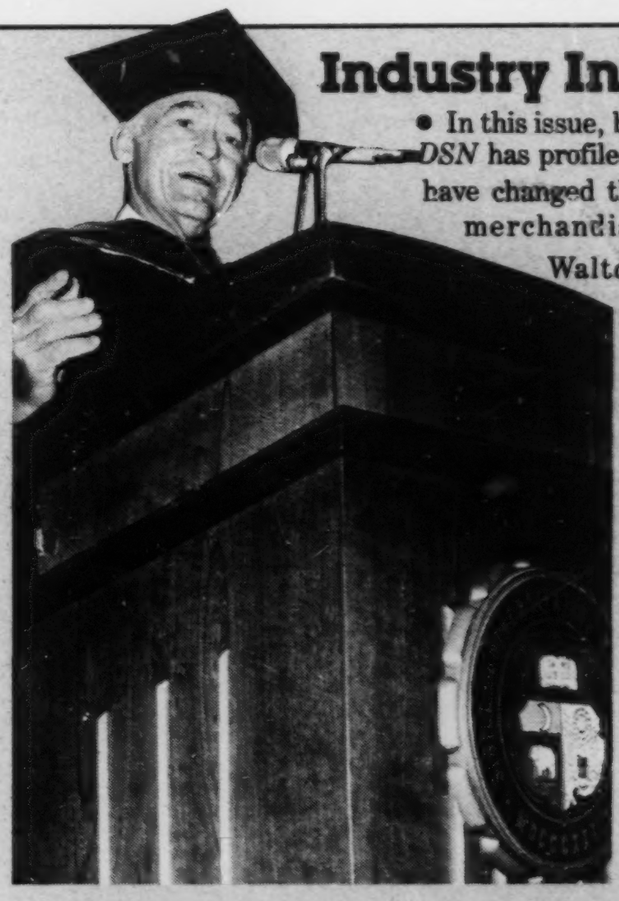
Calling this new look unique to the trade, chairman Manfred Brecker contended that "it could distinguish us even from upscalers who'd be unlikely to

(Continued on page 70)

Electronics For Youngsters in the Spotlight

Electronics for preschoolers and young children, a hot holiday toy category, is spotlighted in Best Products, Culver City, Calif., on a gondola side adjacent to a showcase that features a broad mix of samples.

Industry Innovators



• In this issue, beginning on p. 15, *DSN* has profiled 10 retailers who have changed the shape of mass merchandising. Like Sam Walton (l., accepting an honorary doctor of humanities degree at the University of Missouri) they changed the generally accepted notions of mass merchandising, made an indelible mark on their companies and brought new retailing excitement to the marketplace.

IN BRIEF

• **BEST PRODUCTS ANTICIPATES A "SUBSTANTIAL"** drop in earnings for the fiscal year ending Feb. 2, 1985, to "probably less than half" the $37 million reported for the previous year. The reasons cited for this are "unsatisfactory inventory levels, continued high overhead and lower gross margins," along with the failure to "completely assimilate" the two-year-old acquisitions of Basco and Modern Merchandising.

• **K MART'S RECENTLY ACQUIRED WALDENBOOKS** has launched its anticipated entry into book discounting, Reader's Market. The pilot program debuted at presstime in five remodeled Waldenbooks sites in Manhasset, Cedarhurst, Mamaroneck and Port Chester, N.Y., and another in Norwalk, Conn. Discounts will range from 15% on new releases to 35% off on *The New York Times* best sellers.

Projecting 72 Bows Over 5 Years, Target Names Ulrich Prexy

MINNEAPOLIS — Robert J. Ulrich, 41, assumed the presidency of Target Stores this month, just as the nation's third largest discounter reaffirmed its commitment to growth by store expansion.

Setting plans for 72 new Target stores over the next five years, or about a one-third growth in units, parent Dayton Hudson Corp. will spend much of its $3.2 billion retail expansion program on the fast-growing discounter.

In this same period, Target also intends to hike spending on store remodelings, computer systems and distribution improvements.

Ulrich vacated a Dayton Hudson Department Stores presidency to take the post, which reports to chairman Bruce Allbright. "Ulrich will be the chief merchant at Target," with six marketing functions reporting to him, and free Allbright to "concentrate on strategic planning, his strong suit," a Target spokesman said.

Target, which has traditionally had two top executives heading it, was under Allbright alone since early 1984, when then chairman Floyd Hall left to go to Grand Union and Allbright was appointed chairman. The discounter tapped Ulrich this month when executive vp-marketing Michael Rouleau was named assistant to the president of Dayton Hudson. "Too many people were reporting directly to the ceo," a Target spokesman said.

The move to bring a department store executive into a key position at Target occurred only once before, when Kenneth Macke, now the parent's chairman, was named.

Development Anticipted

Over the next five years, Dayton Hudson also plans to expand its book discounting operations, including adding roughly 200 B. Daltons to its current count of 738, and about 100 Pickwicks to its current roster of 20, a spokesman said.

Also, Lechmere's eight stores are expected to grow to 11 in 1985 and 18 in 1986, including a probable move outside its New England markets. "Lechmere is posting the best year-to-date same store sales gains of any of our operating companies," the spokesman told *DSN*.

Shifts in Share of Retail Activity*
(by type of business)

	1983 3rd qtr.	1984 3rd qtr.	% Change '83-'84	1983 ytd	1984 ytd	% Change '83-'84
Total in Dollars (billions)	$154.1	$167.1		$442.5	$483.1	
	%	%		%	%	
DURABLE GOODS STORES						
Hardware/home center (building materials, hardware, garden supply, mobile home dealers)	10.2	11.2	+20.0	10.0	11.0	+19.9
Furniture, home furnishings and equipment stores	8.6	8.8	+10.6	8.4	8.7	+14.1
NONDURABLE GOODS STORES						
Food stores	43.3	41.6	+ 4.1	44.1	42.5	+ 5.1
Discount stores[1]	11.2	11.8	+14.4	11.5	11.6	+10.6
Apparel and accessory stores	8.9	8.8	+ 7.7	8.6	8.6	+10.0
Drug stores	6.2	6.2	+ 9.3	6.4	6.4	+ 9.6
Sears/Montgomery Ward/ J. C. Penney	6.2	6.1	+ 6.6	6.0	6.0	+ 8.9
Department stores[2]	5.5	5.4	+ 7.2	5.2	5.2	+10.1

** Department, discount and Sears/Montgomery Ward/J. C. Penney store sales were developed from Lebhar-Friedman sample data. All other sales information was provided by Department of Commerce reports. NOTE: Percentages may not add to 100% due to rounding. [1]Includes sales from full-line discount stores only. [2]Excludes full-line discount stores.*

Source: Lebhar-Friedman research.

3rd-Qtr. Sales: Discount Stores Outgain Old-line Dept. Stores

Nationwide DSN Report

Retail sales for the third quarter reached a record $167 billion, but the rate of gain for the comparable period edged down to only 8.4%, compared to the year-to-date gains of 9.2%.

These findings were revealed in the latest report from the Lebhar-Friedman Retail Sales Index. Lebhar-Friedman publishes *Discount Stores News* and other magazines and newspapers for the retail business.

Sales for these dominant retailers for the first nine months of the year (ended Oct. 30) totaled $483 billion.

Of the major retail sectors measured by the L-F Retail Sales Index, discount stores' sales outperformed department stores for the third quarter, reversing the pattern of the first half of the year. Sales gains of full line discount stores were 14.4% for the quarter; while department stores gained only 7.7% against the same period last year.

In share of all retail sales, discounters jumped to 11.8%, while department stores edged off to 5.5%.

Of the other nondurable stores sales, Sears, Wards and Penney's increased 6.6% for the quarter; drug stores increased by 9.3%, and food stores gained just 4.1%.

In the durable goods sector of retailing, home centers and hardware stores' sales gains were up sharply for the quarter with a 20% gain, while furniture stores showed a 14% gain for the period.

Lionel Finally Expected to Be Free to Sell Its Stake in Dale

PHILADELPHIA — Later this month, Lionel is expected finally to be free to sell its 82% stake in Dale Electronics to the highest bidder.

A spokesman for the company said Lionel, the nation's fourth largest toy retailer, had reached an agreement to settle its drawn out battle with Dynamics Corporation of America over the sale of the electronic parts manufacturer. Terms of the settlement were not disclosed at this time. The sale of Dale has been the key element of Lionel's reorganization plan, first filed in February 1982.

Lionel's security holders have already approved a draft of the agreement, according to the spokesman, and unsecured creditors were expected to concur at presstime.

The agreement will conclude the fight between Lionel and DCA, which began last February when DCA offered its bid of $59.5 million for Dale. When subsequent higher bids were tendered, Lionel obtained bankruptcy court permission to entertain those offers.

DCA has contended its original agreement with Lionel should remain binding. The next hearing will be Dec. 18 in New York bankruptcy court.

If the agreement is accepted, Lionel will be permitted to entertain a bid of $82.6 million, made by Charterhouse Group International, a New York-

(Continued on page 70)

Hard Lines/Soft Home Post To Bodker in a Richway 'First'

ATLANTA — In an unusual move, Richway has tapped a soft lines executive, Ira Bodker, to be senior vp, gmm, for hard lines and soft home. He replaces Gary Ozaroff, who resigned.

Bodker took over the post last month after being Richway's senior vp, gmm, for soft lines since 1981.

To fill Bodker's vacated post, Richway promoted Andi Anderson Barnard to the senior vice presidential level. Barnard, a former vp, dmm, now reports to president Jackson Smailes along with Bodker.

This marks the first time Richway has placed hard lines and soft home responsibility under one merchandising executive, a company spokesman said.

'It Happened This Month' Quiz

Win $100 Every Month

A Pioneer and His Successor

Each month Discount Store News *awards $100 to one winner, selected randomly, from entrants answering a nostalgia question correctly. The question is based on a story that appeared in* DSN *that same month, one or more years ago.*

December's Question: **One of the discount industry's top executives (l.) nine years ago this month announced plans to step down as chairman and chief executive officer of the second major discount store chain he helped to form, to be succeeded by that retailer's president and vice chairman (r.). The executive has since launched a warehouse club operation. The two discounters he helped found, both arms of conventional department store companies, are today among the industry's top 20 chains. Who is the executive, the discounter, and his successor, and what was the first chain the executive launched?**

It Happened This Month

Quiz 12

Answer: _____

Name: _____

Co./Store _____

Address: _____

_____

Zip _____

Prize: $100. One winner will be selected at random from all correct entries received. Rules: All entries must be submitted no later than two weeks after the issue date for each contest. (Correct answer is hidden in each issue the contest appears.)
Send to: Contest Editor, *Discount Store News*, 425 Park Ave., New York, N.Y. 10022.

John Weckerly of Copps Corp., Stevens Point, Wis., was the winner of the November contest.

Discount Store News Appoints Failla National Sales Manager

NEW YORK — John Failla, eastern advertising manager for *Discount Store News*, has been promoted to national sales manager, according to Fred Filer, publisher.

Failla, 28, a native of New York City, has been with *DSN* since February 1982. Prior to that he was a unit manager for Procter & Gamble.

He holds a bachelor's degree in marketing from the University of Maryland.

John Failla

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High-Tech Security Devices Get Bigger Play

NEW YORK — Mass merchandisers and other retailers are increasingly looking to high-tech security devices to help in their war against shoplifting and pilferage.

In a shrinkage and security survey of 176 mass merchandise, department and specialty stores, retailers also reported:

- a 2% decrease in employee theft;
- a slight rise in prosecution of shoplifters, and
- a sharp decline in polygraph testing for personnel screening.

Overall, the retail group polled increased its security expenditures 18% last year to $579.3 million, with more than one-fifth of those spendings going to electronic equipment such as point-of-sale registers and video monitoring, according to a study conducted for the National Mass Retailing Institute (NMRI) by Arthur Young and Co., New York.

Electronic devices helped account for an overall 10% decrease in shrinkage last year, according to the survey. For the group, shrinkage, as a percentage of sales, went from 2.1% in 1982 to 1.9% last year. However, retail dollar value of shrinkage rose from $2.06 billion in 1982 to $2.08 billion for the responding companies in 1983.

Errol M. Cook, chairman, national retail group at Arthur Young, said, as might be expected, that there is a natural correlation between the economic climate and shrinkage. He noted that shrinkage rises in recession periods and reverses when the economy picks up. The trend can be seen over the last six years, he added.

The study summarized responses from 176 retail organizations with more than 33,000 locations and sales of more than $109 billion. This study had the highest number of repeat responses in its six-year history, according to Cook, who also noted the data collected is only representative of the study and is not a nationally projectable sample.

According to the 1983 report, retailers have begun to improve their defenses against shoplifting because they believe the crime is not an impulsive act. A total of 56% of retailers polled felt that most shoplifting is premeditated, and over 75% believed that shoplifted items are for personal use rather than resale purposes. In fact, the three most often reported high shrinkage departments were apparel, jewelry, and health & beauty aids.

In response, retailers are counting on more sophisticated equipment to help cut their losses. Specifically, electronic tags including magnetic strips, soft goods tags and other electronic article surveillance devices were judged the most effective deterrents, by 60% of the respondents who utilize them. This reflects an 18% increase over last year.

Although deemed most effective, less than half, 46%, of the responding companies use the tags, primarily due to high costs. Their use is on the rise, however; in 1982, only 38% of retailers polled utilized the shrinkage device.

Mirrors, on the other hand, which were the most popular and least expensive deterrent, used by 79% of corresponding retailers, were rated "the most effective device" by only 2% .

"During the holiday shopping season consumers probably will see more electronic tags on garments, more video monitoring and more cables transmitting to alarm systems on expensive clothing, electronic products and sporting goods," said Cook.

The use of visible TV monitors was also on the rise as one

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Devices Used To Control Shrinkage		Devices Judged To Be Most Effective	
Mirrors	79%	Electronic Tags	60%
Limited Access Areas	74	Guards	17
Lock and Chain Devices	68	POS Tech.	15
Guards	68	Observation Booths	13
POS Tech.	59	Visible TV Monitors	13
Observation Booths	49	Fitting Room Attend.	11
Electronic Tags	46	Limited Access Areas	10
Visible TV Monitors	42	Concealed TV Monitors	8
Concealed TV Monitors	39	Lock and Chain Devices	8
Fitting Room Attendants	38	Mirrors	2

Source: Arthur Young/NMRI Sixth Annual Study of Security and Shrinkage

Catering to the 'Masses'

Barebones mass displays are typical of Mr. HOW Warehouse stores like the one opened last month in Columbus, Ohio, by the warehouse home center chain's parent, cataloger Service Merchandise.

(DSN photo)

Circuit City to Pay Akron $5.4M For 17 Stores

RICHMOND — Circuit City Stores is due to pay The Akron $5,400,000 for the leasehold interests on 17 of its 20 southern California stores at presstime.

Thirteen of these units will be converted to Circuit City Superstores beginning in mid-1985. The remaining four, including two in San Diego, will be sublet.

At the same time, Circuit City will attempt to hasten the termination of its agreement with Los Angeles-based Zodys, with which it currently leases 38 consumer electronics and appliance departments, Circuit City president Richard Sharp said.

The Akron sites, which average 25,000 sq. ft. compared with the 30,000- to 40,000-sq.-ft. Circuit City East Coast Superstores, are the first phase of a planned 20-store Los Angeles market penetration, Sharp added.

In addition to the 13-store base Circuit City plans to establish with The Akron purchases, the consumer electronics and appliance specialty chain is currently seeking five other locations for its Superstores in the Greater Los Angeles Area, Sharp said. An additional 20 Circuit City and Circuit City Superstores are slated to open in the next two years on the East Coast.

The attractive terms of the leases, which have a total minimum annual rental cost of $1,270,000, were "the reason we paid $5.4 million for the leasehold rights," Sharp said. Those rates will be increased, however, because of the leases' store volume escalation clauses, which he would not project.

The time remaining on the leases ranges from 10 to 31 years, with a variety of renewal options, he added.

To finance this expansion, Circuit City has filed an offering plan to issue 930,000 additional shares of stock, at $24 a share. Proceeds of only 875,000 shares, however, will go to the company. The remaining 55,000 shares are being put on the market by Edward Villanueva, a Circuit City director and the company's vice president-treasurer.

The deal is subject to obtaining the consent of each The Akron store landlord. Thus, the two chains have an alternative arrangement, under which Circuit City has the right to acquire, and The Akron has the right to require Circuit City to purchase, all The Akron stock at the same $5.4 million cost, according to the stock prospectus.

If this alternative is chosen, The Akron would, before the stock transfer, be stripped of all assets and liabilities other than the unassigned leases and relat-

(Continued on page 69)

Negotiations Reportedly Under Way

Service Mdse. to Get Philly Cataloger?

NASHVILLE — Service Merchandise was reportedly negotiating, at presstime, the acquisition of a Philadelphia-based cataloger as a key part of its entry into the greater Philadelphia-Wilmington, Del., market.

That proposed move comes as the company, maintaining a torrid expansion pace that has seen it open showrooms in more states than any other cataloger, completed the acquisition of four Towers units in Delaware and Maryland from discounter Gaylords. The cataloger now has showrooms in 34 states.

Gaylords, the last discounter to run a showroom chain, sold Towers, which has had mixed bottom-line results, for an undisclosed amount so it could focus its efforts on its primary 32-store discount business.

Service Merchandise is due to put its logo on the Towers in Dover and Wilmington, Del., and Frederick and Salisbury, Md., early in December.

The acquisition helps to position Service Merchandise, the second largest cataloger in sales, for its assault on the Greater Philadelphia-Wilmington Area planned for 1985. The cataloger had already targeted a showroom for suburban Turnersville, N.J., to be opened in March 1985.

The move into Wilmington through the Towers acquisition and the proposed acquisition of a Philadelphia-based cataloger heightens Service Merchandise's growing same-market competition with Best Products.

Best, the nation's largest cataloger in volume, has a showroom in Wilmington a few miles from Service Merchandise's new unit.

Additionally, Philadelphia is a key market for Best, which has about 20 units there. Best's stores include a half dozen former Basco showrooms plus units the Richmond, Va.-based chain opened in that market prior to its acquisition of Basco.

Service Merchandise's move into Delaware and Maryland means it now has showrooms in every state east of the Mississippi River except for Virginia, Best's home market.

As for Service Merchandise's planned Turnersville showroom, it will be adjacent to another company operation, a Mr. HOW Warehouse home center that opened in that community last month. It was one of two Mr. HOW Warehouse stores that debuted in the Philadelphia area, the other being located in Langhorne, Pa.

The Turnersville showroom and the four Towers are all in the 30,000-sq.-ft. to 40,000-sq.-ft. range. Service Merchandise has been opening these mini-

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Goldstein, Wilson, Williams Are Named To NACSM's Board of Directors

NEW YORK — The National Association of Catalog/Showroom Merchandisers has elected three industry executives to fill vacancies on its 16-member board of directors.

The association has also reduced the price of tickets to its annual banquet by $50 to $150 per person.

As for the board vacancies, Michael Goldstein, head of Jewelcor Merchandising, was elected as a new coordinator member to succeed Don Moore. Moore, who had been head of Jewelcor Merchandising, resigned when he was named to lead parent Jewelcor Inc.'s printing division.

Huey J. Wilson, president of H. J. Wilson, became a new publicly held firm member to replace Tracy Mandart, who resigned when he left H. J. Wilson earlier this year.

Mack Williams, president of Imperial Distributors was elected as a new at-large member. He succeeds Bernard Cohen who left the board when he moved from the presidency of Consumers Distributing (U.S.) to become executive vice president of Best Products and head of its retail group.

NACSM's rules provide that a cataloger can have only one executive on the association's board. Linwood Lacy, Best's senior vp-marketing, is the board's chairman.

NACSM's annual banquet will be held March 24, 1985, at the Ambassador West Hotel in Chicago.